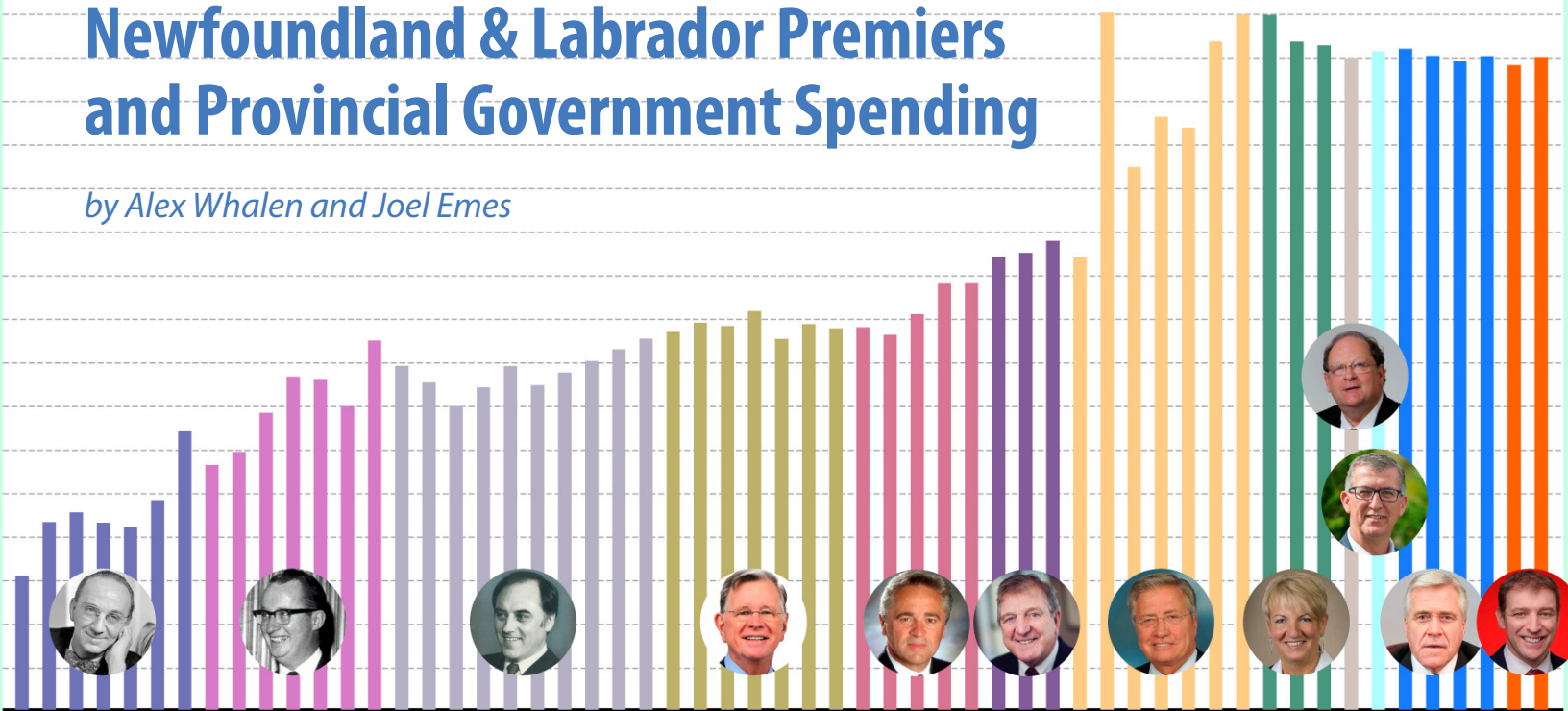


## Newfoundland & Labrador Premiers and Provincial Government Spending

by Alex Whalen and Joel Emes



### SUMMARY

■ Per-person inflation-adjusted program spending is a key measure of government fiscal policy. With comparable data going back to 1965, we are able to compare different historical periods as well as the tenures of various premiers of Newfoundland & Labrador.

■ From 1965 to 2021, per-person spending increased substantially over the 56-year period—from \$3,072 (in 2021 inflation-adjusted dollars) to \$15,019.

■ Premier Joey Smallwood stands out as the premier who increased spending the most of any Newfoundland & Labrador premier since 1965. Smallwood’s 14.3 percent average annual change in per person spending is substantially higher than the premier with the next largest increase, Danny Williams, at 7.8 percent.

The next highest-spending premiers are Frank Moores (4.8 percent), Roger Grimes (3.2 percent), and Brian Tobin (2.3 percent).

■ Premiers Paul Davis (1.0 percent), and Clyde Wells (0.5 percent) increased spending by comparatively small amounts during their times in office. Premiers Brian Peckford, with an increase of 0.2 percent, Andrew Furey, with a decrease of 0.1 percent, and Dwight Ball, with a decrease of 0.2 percent, presided over spending levels which were essentially flat.

■ Kathy Dunderdale, at -1.5 percent, and Tom Marshall, at -1.9 percent, are the only premiers who reduced spending by a meaningful amount during their tenure (though it should be noted that Marshall is only allocated one fiscal year).

## Introduction

This bulletin reviews the spending records of Newfoundland & Labrador governments, presented by different premiers.<sup>1</sup> Specifically, it examines the Newfoundland & Labrador provincial government's per-person (inflation-adjusted) program spending since 1965, divided into periods based on the different premiers. As a part of a series across all provinces, the intention of this essay is to provide a historical analysis of this key measure of government fiscal policy.

## Methodology

This bulletin focuses on program spending by premiers and excludes interest costs on government debt. If interest costs were included, it would penalize or reward premiers based on the debt accumulated prior to their tenure, and/or prevailing interest rates, both of which are out of the provincial government's immediate control.<sup>2</sup>

The study uses Finances of the Nation government revenue and expenditure data (REAL),<sup>3</sup> which is built from three Statistics Canada publications: *Public Finance Historical Data* (PFHD) for 1965 through 1992; *Federal, Provincial and Territorial General Government Revenue and*

*Expenditure* (FPRTE) for 1989 through 2009; and *Canadian Government Finance Statistics* (CGFS) for 2009 to present. Data are available up to the fiscal year 2021-22. Accounting conventions are comparable through time within each period, but there are differences among the three periods. The creators of the REAL dataset adjust the data to make them more comparable.<sup>4</sup>

The study uses data based on provincial government fiscal years, which begin on April 1st and end on March 31st. Throughout the analysis we refer to government fiscal years by the first year only. Thus, fiscal year 2020-21, for instance, is simply referred to as 2020. We do this both for simplicity and because the majority of the government's fiscal year occurs in the first year referred to.

It is important to adjust for population as it can influence aggregate program spending. Indeed, the same amount of increased spending can look different depending on whether a province has experienced strong, modest, or negative population growth (i.e., a decline in the population). This study adjusts provincial program spending by population to calculate per-person spending using Statistics Canada's Table 17-10-0009-01 for population data.

This study also adjusts program spending data for inflation so that spending in the 1960s is comparable with spending in 2021. We use the consumer price index to adjust for inflation. Data are taken from Statistics Canada's Table 18-10-0004-01. Provincial per-person program

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<sup>1</sup> The foundation for this analysis is based on *Prime Ministers and Government Spending: A Retrospective* (Clemens and Palacios, 2017).

<sup>2</sup> Both the level of debt accumulated from previous governments and prevailing interest rates influenced debt-servicing costs. However, that is not to say that the policies of the current government do not influence those costs. Deficits add to near-term debt accumulation, and deficit-financed spending can influence the risk premium on government debt, both of which can have an impact on interest costs.

<sup>3</sup> See <https://financesofthenation.ca/data/>

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<sup>4</sup> Note that discrepancies are generally less than five percent (and are often much smaller) at the points where the datasets overlap. You can learn more about the adjustments made in the User Guide to the Finances of the Nation REAL data (<https://financesofthenation.ca/real-fedprov/>).

# Newfoundland & Labrador Premiers and Provincial Government Spending

**Table 1: Newfoundland and Labrador's Premiers and Budget Years over the Period of Analysis**

Premier (Budget)	Party	Budget Years	Number of Budgets
Joey Smallwood	Liberal Party	1965-1971	7
Frank Moores	Progressive Conservative	1972-1978	7
Brian Peckford	Progressive Conservative	1979-1988	10
Clyde Wells	Liberal Party	1989-1995	7
Brian Tobin	Liberal Party	1996-2000	5
Roger Grimes	Liberal Party	2001-2003	3
Danny Williams	Progressive Conservative	2004-2010	7
Kathy Dunderdale	Progressive Conservative	2011-2013	3
Tom Marshall	Progressive Conservative	2014	1
Paul Davis	Progressive Conservative	2015	1
Dwight Ball	Liberal Party	2016-2019	4
Andrew Furey	Liberal Party	2020-2021	2

Note: Although Joey Smallwood served as premier for parts of 24 years (1949-1971), there are only eight years of available data during his tenure (1965 to 1971)

Details on the allocation of specific budgets:

The 1971 budget was allocated to Joey Smallwood who served as premier for the majority of the fiscal year.

The 1978 budget was allocated to Frank Moores who served as premier for the majority of the fiscal year.

The 1988 budget was allocated to Brian Peckford as he served as premier for the majority of the fiscal year.

The 1989 budget was allocated to Clyde Wells as he served as premier for the majority of the fiscal year.

The 2000 budget was allocated to Brian Tobin as he served the majority of the fiscal year. Beaton Tulk also served as premier in late 2000 and early 2001.

The 2003 budget was allocated to Roger Grimes as he served as premier for the majority of the fiscal year.

The 2013 budget was allocated to Kathy Dunderdale as she served as premier for the majority of the fiscal year.

The 2014 budget was allocated to Tom Marshall as he served half the fiscal year and was premier when the budget was introduced.

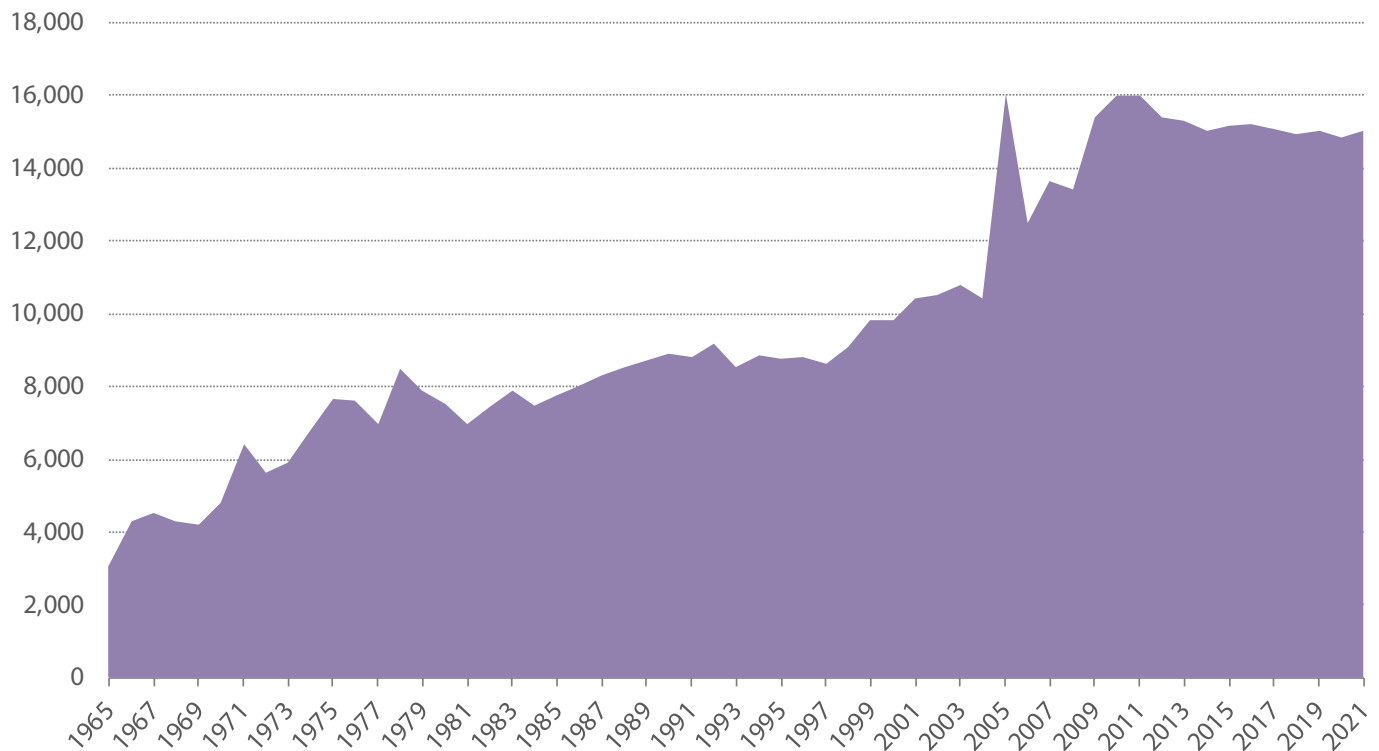
The 2015 budget was allocated to Paul Davis who served as premier for the majority of the fiscal year.

The 2020 budget was allocated to Andrew Furey as he served as premier for the majority of the fiscal year. While Furey continues to serve as premier as of late 2022, only two budgets are included in this table as our period of analysis ends in 2021-22.

Source: Newfoundland and Labrador House of Assembly (2017).

# Newfoundland & Labrador Premiers and Provincial Government Spending

Figure 1: Inflation-Adjusted (\$2021) per Person Program Spending in Newfoundland & Labrador, 1965-2021



Sources: Finances of the Nation, 2022; Statistics Canada, Table 17-10-0009-01; Statistics Canada, Table 18-10-0004-01.

(inflation-adjusted) spending is simply referred to as “per-person spending” hereafter.

It is important to understand that Newfoundland and Labrador’s premiers had varying tenures.<sup>5</sup> In years when there were changes in government, it is necessary to make discretionary decisions about which premier is designated responsible for each budget. Table 1 summarizes the allocation of budget years to premiers from 1965 to 2021.

<sup>5</sup> For an overview of Newfoundland and Labrador’s premiers and their terms, see <https://www.assembly.nl.ca/pdfs/PremiersNL.pdf>

The bulletin used two factors to decide which premier was allocated a specific budget year. The first and most important was the premier’s length of time in office during the fiscal year. When the fiscal year is fairly evenly split between two or more premiers, the situation is resolved by considering a second factor: which premier delivered the original budget that set the foundation for spending that year. For example, in the 2014 fiscal year, Tom Marshall and Paul Davis both served almost exactly equal time of six months. The 2014 budget was ultimately allocated to Marshall as he delivered the original budget.

Finally, it is important to recognize that certain premiers served during periods of recession and/or other significant events that may have impacted government spending. However, the intention of this essay is not to provide context to specific years of spending or be a commentary on whether spending changes are negative or positive. Rather, it is specifically and narrowly focused on providing an overview of per-person spending over time by premier.<sup>6</sup>

## Per person spending in Newfoundland & Labrador: 1965 to 2021

Figure 1 shows inflation-adjusted per-person spending beginning in 1965. There are a number of interesting points worth noting. From 1965 to 2021, per-person spending increased substantially over the 56-year period—from \$3,072 (in 2021 inflation-adjusted dollars) to \$15,019.

While figure 1 shows an overall increase in spending<sup>7</sup> over time (again, adjusted for inflation), there are several interesting periods when spending either rose or held steady. The first runs from the starting point in 1965 until 1978, a period of significantly increased spending. This spans both the governments of Joey Smallwood (1965 to 1971) and Frank Moores (1972 to 1978), when per-person spending increased 176 percent from \$3,072 in 1965 to \$8,497 in 1978. Smallwood served from 1949 to 1972, but we are only able to analyze the period from 1965 onward due to data availability.

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<sup>6</sup> For those interested in this normative issue, see Tanzi (2011) and Di Matteo (2013).

<sup>7</sup> In this essay, spending means per-person inflation-adjusted program spending unless otherwise noted.

Over the two decades after 1978, spending levels rose and fell in specific years, but the overall trend reveals a relatively minor spending increase. During the tenure of the governments of Frank Moores (1978), Brian Peckford (1979 to 1988), Clyde Wells (1989 to 1995) and the first two years of Brian Tobin (1996 and 1997), per-person inflation adjusted spending increased from \$8,497 in 1978 to \$8,624 in 1997, a difference of \$127 or 1.5 percent. This represents a markedly slower rate of per-person inflation-adjusted spending growth than was the case in the first period of our analysis (1965 to 1978).

From 1997 until 2010, spending increased substantially. During this period,<sup>8</sup> the governments of Brian Tobin (1997 to 2000), Roger Grimes (2001 to 2003), and Danny Williams (2004 to 2010) increased spending from \$8,624 in 1997 to \$16,000 in 2010, an increase of \$7,376 or 85.5 percent. The spending level in 2005 (\$16,041) is the all-time high in our dataset.

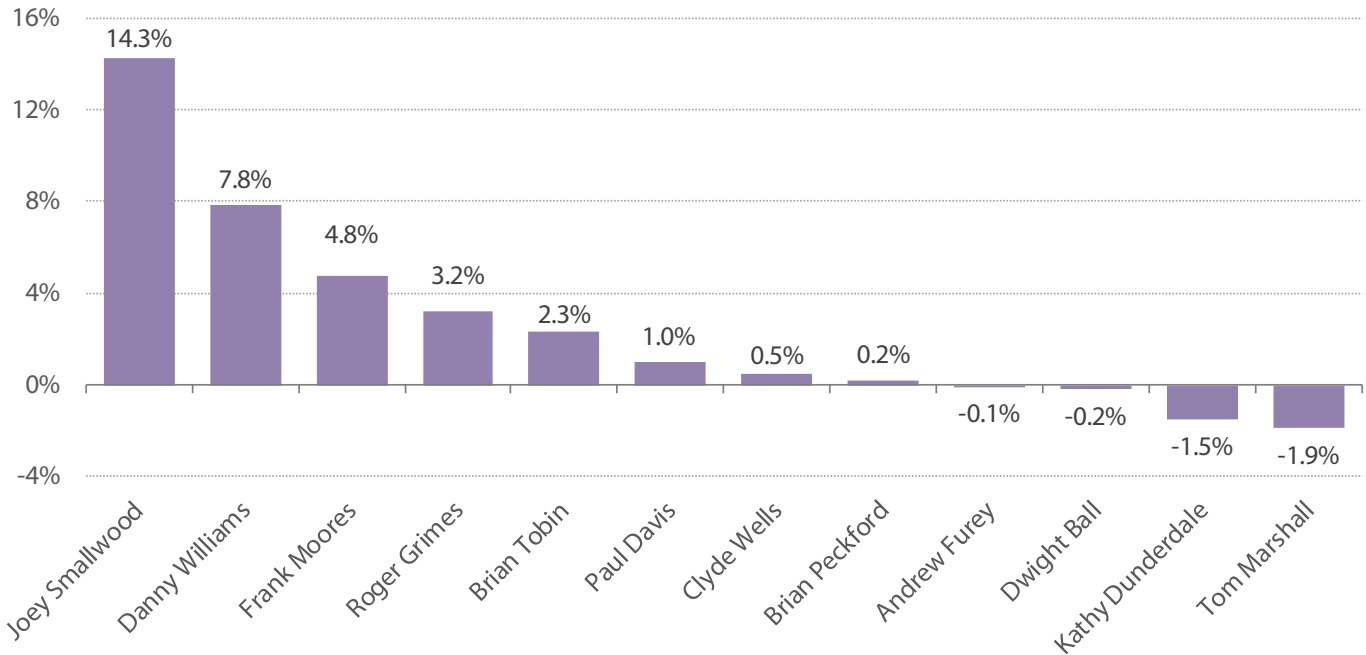
Spending under the Kathy Dunderdale government in 2011 largely maintained the 2010 level, decreasing by \$18 per person, or 0.1 percent. From this point onward, there are modest declines in per-person inflation-adjusted spending in the province. Between 2011 and 2021, the latest year of available data, the governments of Dunderdale (2011 to 2013), Tom Marshall (2014), Paul Davis (2015), Dwight Ball (2016 to 2019), and Andrew Furey (2020 and 2021<sup>9</sup>) cumulatively de-

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<sup>8</sup> Readers may also notice that the largest one-year increase in spending since at least 1965 occurred from 2004 to 2005 at a time of substantially increased spending in the provincial budget. At the same time, the population of the province decreased this year, driving per-person spending even higher.

<sup>9</sup> The COVID-19 pandemic represented a substantial increase in spending for most jurisdictions across Canada. While some jurisdictions have separated

**Figure 2: Ranking of Premiers by Average Annual Change in Per Person Spending, Inflation-Adjusted (\$2021)**



Sources: Finances of the Nation, 2022; Statistics Canada, Table 17-10-0009-01; Statistics Canada, Table 18-10-0004-01.

creased spending by 6.1 percent. Despite this decline, spending levels remain high by historical standards, prevailing at levels one-and-a-half times higher than that seen in the 1990s.

To summarize, figure 1 shows an obvious and substantial overall increase in inflation-adjusted per-person spending during our period of analysis (1965 to 2021). However, there are notable differences between different eras. A simplified view suggests there have been two broad

COVID and non-COVID spending, unfortunately this data is not currently available for Newfoundland and Labrador, so a total (COVID and non-COVID) spending number is presented.

periods of substantial increases to spending (1965 to 1978 and 1997 to 2010), one long period of more moderate spending increases (1978 to 1997), and one period of relative restraint (2010 to 2021).

## Ranking premiers on changes in inflation-adjusted per-person spending

For additional context, figure 2 shows the average annual change in per-person spending during each premier's tenure. Specifically, it presents the rank for the premiers based on the average annual change in per-person spending from the year before they took office as premier to their last budget.

# Newfoundland & Labrador Premiers and Provincial Government Spending

As shown, Joey Smallwood stands out as the premier who increased spending the most of any Newfoundland & Labrador premier since 1965. Smallwood's 14.3 percent average annual change in per person spending is substantially higher than the premier with the next largest increase, Danny Williams at 7.8 percent.

Following Smallwood and Williams as the next highest-spending premiers are Frank Moores (4.8 percent), Roger Grimes (3.2 percent), and Brian Tobin (2.3 percent). Premiers Paul Davis (1.0 percent), and Clyde Wells (0.5 percent) increased spending by comparatively small amounts during their times in office.

Spending was essentially unchanged during the tenure of three premiers. They includes Brian Peckford, with an increase of 0.2 percent, Andrew Furey, with a decrease of 0.1 percent, and Dwight Ball, with a decrease of 0.2 percent. Kathy Dunderdale, at -1.5 percent, and Tom Marshall, at -1.9 percent, are the only premiers who reduced spending by a meaningful amount during their tenure (though it should be noted that Marshall is only allocated one fiscal year).

## Conclusion

Per-person spending adjusted for inflation and excluding interest costs is an important gauge of a government's fiscal policies, both within a specific year and over time. It, combined with overall spending as a share of the economy (GDP), are the two key measures by which to assess and understand government fiscal policy. Unfortunately, per-person inflation-adjusted spending is often neglected because it is not as easily accessible as the alternative measure, government spending as a share of GDP. This bulletin corrects that deficiency for Newfoundland & Labrador and provides interested readers with a historical analysis of per-person

spending by year and by premier going back to the mid 1960s.

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**Alex Whalen** is a Senior Economist with the Fraser Institute and Coordinator of the activities of the Atlantic Canada division. Prior to joining the Institute, he was the Vice-President of the Atlantic Institute for Market Studies (AIMS), which merged with the Fraser Institute in November 2019. He is a graduate of the Schulich School of Law at Dalhousie University, and the School of Business at the University of Prince Edward Island.



**Joel Emes** is a Senior Economist attached to the Addington Centre for Measurement. Joel started his career with the Fraser Institute and rejoined after a stint as a senior analyst, acting executive director and then senior advisor to British Columbia's provincial government. He supports many projects at the Institute in areas such as investment, equalization, school performance and fiscal policy. Joel holds a B.A. and an M.A. in economics from Simon Fraser University.

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